

Message Text

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51

ACTION EUR-25

INFO OCT-01 ADP-00 EB-11 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

PA-03 PRS-01 USIA-12 RSR-01 /151 W

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R 281704 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6000

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

UNCLAS BONN 9317

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E. O. 11652: N/ A

TAGS: EFIN, ECON, GW

SUBJECT: PRESIDENT OF IFO ECONOMIC RESEARCH INSTITUTE

SEES LITTLE CHANCE FOR EARLY CURTAILMENT OF INFLATIONARY
PRESSURES

REF: A-398

1. DURING HIS INSTITUTE' S ANNUAL MEETING, PROFESSOR HETTLAGE,
PRESIDENT OF THE IFO ECONOMIC RESEARCH INSTITUTE IN MUNICH,
EXPRESSED SKEPTICISM REGARDING THE EFFECTS OF THE GOVERN-
MENT' S ANTI- INFLATIONARY PROGRAM (SEE REFAIR) AND SUGGESTED
THAT ADDITIONAL RESTRICTIONS MAY BE REQUIRED TOWARD THE
THE END OF 1973.

2. ACCORDING TO NEWSPAPER ACCOUNTS, HETTLAGE HOLDS THAT A
REDUCTION OF THE YEAR- ON- YEAR RATE OF INCREASE OF LIVING
COSTS TO LESS THAN 6 PERCENT CANNOT BE EXPECTED UNTIL THE
SECOND HALF OF 1974 AT THE EARLIEST, AND EVEN THIS PRESAGES
" HALFWAY NORMAL DEVELOPMENTS."

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3. HETTLAGE REPORTEDLY ADDED THAT, JUDGING FROM CURRENT TRENDS, WAGES IN 1974 MAY WELL EXCEED 1973 LEVELS BY 11-12 PERCENT, WHICH DOES NOT AUGUR WELL FOR A SLOWDOWN OF PRIVATE CONSUMPTION. IN FACT, GIVEN PERSISTENT INFLATIONARY TENDENCIES, HE HOLDS, CONSUMPTION MAY ACCELERATE EVEN FURTHER; THE DECLINE IN THE RATE OF SAVINGS POINTS IN THIS DIRECTION. ALSO PUBLIC SECTOR TRANSACTIONS REMAIN EXPANSIONARY, HETTLAGE CHARGED, IMPLYING THAT IT IS ONLY IN THE FIELD OF PRIVATE INVESTMENT THAT THE GOVERNMENT'S STABILIZATION PROGRAM MAY PRODUCE TANGIBLE RESULTS.
HILLENBRAND

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*** Current Handling Restrictions *** n/a

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Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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30 JUN 2005

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